

APPENDIX II

Contributions from Other Donors

International Resources for the Reconstruction of Iraq:

During this past quarter, the United States has continued to build on the success achieved at the October 2003 Madrid International Donors Conference. At this conference, donors other than the United States pledged over \$13.5 billion in assistance for the reconstruction of Iraq. This includes \$8 billion in assistance from foreign governments and \$5.5 billion in lending from the World Bank and International Monetary Fund (IMF) -- all to be disbursed between 2004 and 2007. As of June 2005, over \$2.9 billion of the pledges of non-U.S. assistance had been disbursed. Almost \$2.5 billion of this was from other donor governments, either in bilateral projects or through the International Reconstruction Fund Facility for Iraq (IRFFI). Another \$436 million was in the form of IMF assistance. Donor government disbursements is defined here as meaning that the funds have left government treasuries. Because, however, much of it is being channeled for implementation through trust funds, contractors, NGOs, international organizations, and Iraqi institutions, the impact on the ground in Iraq is just starting to be felt.

The International Reconstruction Fund Facility for Iraq (IRFFI)

The Madrid Conference authorized the establishment of the IRFFI, which gives donors a multilateral channel for their assistance to Iraq -- in addition to donors' own bilateral assistance activities. The IRFFI is a mechanism for the joint management of World Bank and United Nations (UN) reconstruction trust funds. As with bilateral assistance, funds channeled through the IRFFI are funded out of donors' pledges at Madrid. Details on the IRFFI can be found at www.irffi.org.

- The Donors' Committee of the IRFFI held its third meeting in Tokyo, Japan, on October 13-14, 2004. The Donor's Committee consists of 15 countries that have committed at least \$10 million to the fund facility and also includes two rotating representatives (currently Finland and Turkey) from countries that have committed less than \$10 million. In February 2005, Canada assumed chairmanship of the IRFFI Donors' Committee from Japan.
- At the Tokyo meeting, the Iraqi Interim Government (IIG) established its central role in soliciting international support for Iraqi reconstruction. It also presented its National Development Strategy, which was well received by donors. Donors, for their part, reaffirmed their support for Iraqi reconstruction. The Iraqi Transitional Government (ITG) has since created its own donor coordination mechanisms and is updating the National Development Strategy.
- The next Donors' Committee meeting is scheduled for July 2005 in Jordan.

- Current donor commitments to the IRFFI total about \$1.075 billion. Of this amount, \$490 million is from Japan; \$200 million from the European Commission; \$127 million from the UK; \$67 million from Canada; \$20 million from Spain; \$18 million from Australia; \$12.9 million from the Netherlands, \$12 million from Italy; \$10 million each from the United States, India, Iran, Kuwait, Republic of Korea, Qatar, Norway, and Sweden. Belgium, Finland, Greece, Iceland, Ireland, and Turkey are committing amounts less than \$10 million each.
- Of the \$1.075 billion in commitments, \$1.04 billion has been deposited in the IRFFI trust funds and holding accounts by other donors, including \$10 million from the United States.
- The UN and World Bank have submitted their project proposals for approval to the Iraqi Strategic Review Board (ISRB). The ISRB is an Iraqi coordinating body chaired by the Minister of Planning and Development Cooperation that reviews requests for and offers of external donor assistance.

Updates on Selected Major Donors

The January 2004 report to Congress included a table of pledges made at the Madrid International Donors Conference. Since that report, donors have begun disbursing and implementing their assistance.

Japan

Japan has pledged more assistance to Iraq than any other country except the United States. As of the end of May 2005, Japan had entirely obligated the \$1.5 billion of grant aid that it had pledged in Madrid. Approximately \$1.53 billion had been allocated, and approximately \$1.41 billion disbursed. In addition, Japan has pledged up to \$3.5 billion in concessional lending in order to meet the medium-term needs during the period until the end of 2007.

Of their grant assistance, Japan deposited a total of \$490 million to the IRFFI (\$360 million to the UN fund and \$130 million to the World Bank fund). Japan has also deposited \$10 million to the small business financial facility of the International Finance Corporation (IFC). In addition, Japan has disbursed \$101 million directly to international organizations to implement projects such as restoration of water and sewage systems, garbage collection, and sanitation. On May 27, 2005, Japan announced that it would build a \$118 million power station in Samawah, Iraq. The balance of Japan's disbursements have been in direct bilateral projects or channeled through Iraqi institutions and NGOs for implementation.

Among Japanese projects are:

- Rehabilitation of three electrical power stations (Taji Gas Turbine, Mosul Gas Turbine, and Mosul Hydroelectric).

- 12 water tankers donated by Japan to be used by the city of Samawa in cooperation with Japan's Self Defense Forces, which are purifying about 70 tons of water a day. With the provision of 26 more water tankers, 311 water tanks, and 6 water treatment units, over 200,000 people in the vicinity will be provided with clean water.
- Grant assistance for Japanese NGO projects to the Samawa Maternity and Children's Hospital, which have provided medical equipment, including infant incubators, phototherapy units for incubators, and electrocardiographs to the only children's and maternity hospital in Al-Muthanna Governorate. Medical supplies and equipment have also been provided to the Samawa General Hospital and Al-Rumaytha and Al-Khidhur hospitals and to 32 primary health centers in Al-Muthanna Governorate.
- The repair of roads between Al-Khidhur and Darraji and between Mahdi and Sawa and other roads in Al-Muthanna Governorate as well as the provision of construction equipment to restore damaged roads and bridges in the Governorate.
- Contributions to UNESCO, which are allowing capacity strengthening in the Ministry of Education and a recovery project for the restoration laboratory of the Iraqi National Museum to move ahead.
- Donation of 1,150 police vehicles.
- Donation of 70 fire trucks to Baghdad, Basra, and Muthanna.
- Donation of 742 ambulances.
- Rehabilitation and equipping of four general hospitals (Nasiriyah, Najaf, Diwaniyah, and Samawah) in southern Iraq, four more in northern Iraq (Kirkuk, Erbil, Mosul and Dahuk), and three in Central Iraq (Baghdad, Amarah, and Kut).
- 27 mobile electricity substations.
- 30 compact water treatment units in Baghdad, 38 water tankers, and 6 water purification units.
- Through HABITAT, assistance for rehabilitation of about 271 schools in Basrah, Samawa, Nashiria, and Amra, and of about 3,000 houses and community facilities in Baghdad, Samawa, and Kirkuk.
- Training in Japan of Iraqi diplomats, staff of Al-Muthanna TV Station, and hospital directors in Al-Muthanna Governorate. Training in Cairo of 215 Iraqi medical staff and training in Jordan of about 90 electricity, statistics, and water resources management personnel.

The United Kingdom

At Madrid, the UK pledged \$452 million for the Iraq reconstruction effort through March 2006. This was in addition to the UK's previously announced assistance for the humanitarian effort and its assessed portion of the European Commission's assistance. As of June 2005, the UK had disbursed over \$268 million in assistance since the Madrid donors' conference.

The UK has deposited over \$127 million in the International Reconstruction Fund Facility for Iraq (IRFFI) - \$71 million to the World Bank Trust Fund and \$56 million to the UN Trust Fund. The UK also made a \$15 million contribution to an Iraqi small and medium size enterprise (SME) lending facility established by the International Finance Corporation (IFC) and are contributing to an International Monetary Fund (IMF) Programme.

In addition to the \$142 million in multilateral contributions, the UK is implementing bilateral projects for reconstruction. As of June 2005, the UK has disbursed approximately \$126 million for bilateral projects in support of reconstruction in Southern Iraq, governance and economic capacity building, and support to the justice sector, independent media and civil society. The UK's Department for International Development (DFID) is responsible for these projects.

Among UK projects are:

- 2003/04, initial infrastructure regeneration projects: more than \$54m to employ several thousand Iraqis in repairing key infrastructure.
- \$12 million for employment generation in 2004/05: 1.75m workdays in the pipeline to undertake local improvement projects with an immediate impact on communities.
- \$32 million in further funding for emergency infrastructure rehabilitation from mid-2004 – e.g., repairing the transmission lines from Hartha power station to Basra city.
- \$13 million to fund a team of technical advisers to help coordinate reconstruction projects in line with Iraqi priorities in areas such as energy, water and sanitation, and transport.
- \$37 million to help the four southern governorates to manage donor and domestic funding effectively themselves, and provide support for private sector development and civil society.

- A new \$73 million infrastructure rehabilitation project began in April 2005. 75% of the funds will be earmarked for power, the rest for water and fuel services. Priority will be given to capital works that will have an impact within 6-12 months and generate significant local employment.
- A new radio service, 'Al Mirbad' is scheduled to go on air in June under a \$12 million BBC World Service Trust Programme to develop independent broadcasting in southern Iraq. Al Mirbad's TV service is due to begin broadcasting in July.
- A \$9 million Emergency Public Administration Program in Baghdad supporting central government management processes.
- An \$8.5 million program to provide macro-economic advice to the Iraqi Government.
- Support to the justice sector has trained 216 Iraqi judges, lawyers and prosecutors in human rights, international humanitarian law, and independence of the judiciary.
- Support for the electoral commission (\$10 million plus advisers on security and public information), civil society organizations (\$9 million) and public participation in the elections (\$11 million).

Further information on the program in Iraq, along with a monthly DFID update, is available at <http://www.dfid.gov.uk>.

Spain

In addition to \$80 million it provided in 2003, largely for humanitarian needs, Spain pledged another \$220 million in reconstruction assistance at the Madrid Donors Conference for 2004-7. Of this amount, \$60 million was intended for 2004. Out of this \$60 million, Spain has deposited \$20 million to the World Bank trust fund within the IRFFI, as well as \$5 million for the IFC small business facility. It also provided \$18 million for the production of new Iraqi dinars and is still programming the remaining \$17 million of its 2004 pledge. At the Tokyo meeting, Spain announced that it was considering an additional \$20 million contribution to the IRFFI to support elections and governance.

Canada

Canada pledged \$187 million at Madrid (all figures are in US\$). This is in addition to the \$42 million in urgent humanitarian relief disbursed in 2003 in response to the UN Humanitarian Appeal.

Canada is Chair of the IRFFI Donors' Committee in 2005. Canada initially deposited \$44.7 million to the IRFFI, which was equally divided between the UN and the World Bank trust funds of the IRFFI. In September 2004, Canada deposited another \$15.3 million in the UN trust fund to be used to support Iraqi elections. Canada also supported elections with \$5.8 million allocated to the International Mission for Iraq Elections.

In addition to multilateral funding, Canada has allocated over \$47 million in bilateral assistance, of which it has already disbursed about \$25 million. These are out of allocations that include \$29 million to UNICEF, \$3.7 million to CARE Canada for reconstruction work to improve basic services in water and sanitation, basic health and education, and child protection. It has also allocated \$2 million to assist the "Marsh Arabs", \$3.8 million to the Middle East Good Governance Fund, \$0.3 million to IMPACS for media training and \$0.5 million to UNDP for work on Iraqi governance.

In the security sector, Canada has allocated \$7.9 million over two years for deployment of Canadian police instructors to assist in the training of Iraqi police at the multinational police academy in Jordan. The first contingent of 20 trainers arrived in January 2004.

Canada's priorities for the remainder of its assistance include: social and economic needs of Iraqis; good governance, in both Iraq and in the Middle East; the promotion of human rights and gender equality; and helping to reconstitute an effective and responsible Iraq security sector. More details on Canadian assistance to Iraq is available at www.acdi-cida.gc.ca/iraq.

The European Commission (EC)

By the end of 2004, the EC had pledged 200 million euros (then worth \$235 million) at the Madrid Donors Conference -- all of which it has disbursed. At the end of 2003, the EC provided \$47 million for UN-implemented activities and \$3 million to the World Bank for Iraqi capacity building training. In June 2004, the EC deposited \$100 million in the World Bank portion of the IRFFI and \$58.6 million in the UN portion. It deposited another \$43.2 million in the UN portion in December 2004, and another \$23.4 million in March 2005. The EC in November 2004 also announced 30 million euros of elections support. Half of this was new funding, while the other half was reprogrammed funding from its earlier IRFFI contribution.

In late January 2005, the EC announced another 200 million euros in assistance for 2005. Of this, 130 million euros would be channeled through the IRFFI to support activities to restore and strengthen delivery of education and health services, increasing employment opportunities, and developing administrative capacity in the Iraqi administration.

Another 15 million euros will go to bilateral technical assistance in the energy and trade sectors and a further 10 million euros to support the political process, the development of civil society, and human rights. The remaining 45 million euros is being held in reserve for future priority needs that arise.

On June 9, 2004, the EC set out in a report to the European Council and the European Parliament its short- and medium-term strategy for relations between the European Union (EU) and Iraq. Entitled *The European Union and Iraq: A Framework for Engagement*, it is available at http://europa.eu.int/comm/external_relations/iraq/doc/com04_417_en.pdf.

United Nations

As of April 2005, donors had committed \$671 million to the UN trust fund of the IRFFI. Of this, \$660 million had been deposited. The UN has developed a strategic planning framework, organized along eleven “clusters” with various UN specialized agencies working together under a cluster lead agency in each. The clusters are:

1. Education and Culture
2. Health
3. Water and Sanitation
4. Infrastructure and Housing
5. Agriculture, Water Resources, and Environment
6. Food Security
7. Mine Action
8. IDPs and Refugees
9. Governance and Civil Society
10. Poverty Reduction and Human Development
11. Support to Electoral Process

As of April 2005, the UN had developed 53 projects, valued at over \$516 million, all of which have been approved for implementation by the Iraqi government. Among these projects, the UN has provided school supplies, rehabilitated schools, provided vaccines, supported internally displaced persons (IDPs) and refugees, conducted capacity-building training programs for Iraqi officials, and assisted in the elections. By end-May 2005, the UN trust fund had obligated \$375 million in binding contracts for implementation and had disbursed \$188 million. A full list of the UN's IRFFI projects is available at the www.irffi.org website.

World Bank

As of the end of May 2005, donors had committed \$398 million to the World Bank trust fund of the IRFFI. Of this, \$392 million has been deposited. With these deposits, the World Bank is implementing the following projects:

Operation	Projected Costs
Emergency Textbooks	\$40 million
Emergency School Rehabilitation	\$60 million
Emergency Baghdad Water Supply and Sanitation	\$65 million
Emergency Water Supply, Sanitation, and Urban Reconstruction	\$90 million
Emergency Health Rehabilitation	\$25 million
Emergency Private Sector Development I	\$55 million
Capacity Building II	\$ 7 million
Emergency Community Infrastructure	\$20 million

As of the end of 2004, the IIG and World Bank had signed grant agreements for all of the projects above totaling \$362 million. These projects are now in the implementation phase. As of end of May 2005, the World Bank had disbursed \$20.6 million for work already completed.

The World Bank is operating from Amman, Jordan, and has established a videoconference link between its Amman office and the Iraqi government to facilitate project development and coordination.

Funded by \$3.6 million from the EC, the World Bank conducted training for Iraqi officials addressing the environmental and social impact of development projects, infrastructure regulation, restructuring of state-owned enterprises, investment climate issues, and financial sector reform. The World Bank also provided a range of policy advice.

At Madrid, the World Bank pledged to offer at least \$3 billion in lending to Iraq. The Iraqi government and World Bank are currently in discussions about a concessional lending program. In December 2004, Iraq cleared its arrears to the World Bank, making it eligible for lending again.

IMF

At the Madrid Donors' Conference, the IMF pledged to provide over \$2.55 billion in lending to Iraq. On September 29, 2004, the IMF Board approved \$436 million in financial assistance in the form of Emergency Post-Conflict Assistance (EPCA). The main goals under the EPCA are to maintain macroeconomic stability, lay the groundwork for the development of a reform program that could be undertaken in years to come, and begin the process of restoring Iraqi's fiscal and external debt sustainability.

The IMF has also been providing technical assistance to Iraq. This has included training in the macroeconomic policy areas of public expenditure management, fiscal federalism, tax policy, tax and customs administration, monetary operations, banking supervision, payments system reform, and statistics. Some of this training has been done jointly with

the World Bank. The IMF has assisted in coordinating macroeconomic training with the other major providers: the World Bank, United States, and United Kingdom.